CLX

CALAHOO
PETROLEUM LTD.

1995 ANNUAL REPORT

CORPORATE PROFILE

Calahoo Petroleum Ltd. ("Calahoo") is a Calgary based, junior oil and gas resource company trading on the Alberta Stock Exchange under the symbol "CLX". The Company has approximately 19 million shares outstanding.

The Company was incorporated in 1986. In 1993, a strong new management team was assembled which subsequently directed the Company's business into oil and gas. Between June, 1993 and December, 1995 over $17.3 million of capital has been invested by the Company. Calahoo is a profitable, well-focused public entity that has achieved significant growth to date. Current production is approximately 880 Boepd, divided between oil (68 percent) and gas (32 percent).

During the last two and a half years, Calahoo has focused on the acquisition of high quality, long life properties with the potential of increasing production. These acquisitions included production infrastructure which allows Calahoo to control its operational activities and reduce the cost of bringing new reserves on-stream. Calahoo has made strategic land acquisitions within these areas and now has an impressive inventory of low risk, high reward, multi-zone prospects.

In 1996, Calahoo has high graded its investment opportunities within its core areas. The Company can expect to achieve superior results through utilization of its existing infrastructure, operational experience and exploitation of its land base.

The Company's goal is to increase shareholder value through cost effective acquisition, exploration and development of high quality oil and gas reserves.

Annual Meeting

The Annual General Meeting for Shareholders will be held at 3:00 p.m. on Tuesday, May 14th, 1996: Cardium Room of **The Calgary Petroleum Club**, 319 - Fifth Avenue S.W., Calgary, Alberta. All shareholders are invited to attend and participate in the business of the meeting.

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HIGHLIGHTS

Years Ended December 31	**1995**	1994	% Change
Financial			
($ thousands, except per share data)			
Gross Revenue (before royalties)	**4,906**	2,903	69.0
Cash Flow from Operations	**2,212**	1,460	51.5
Per Share ($)	**0.13**	0.10	30.0
Net Earnings before tax	**829**	490	69.2
Per Share ($)	**0.05**	0.03	66.7
Net Earnings after tax	**567**	490	15.7
Per Share ($)	**0.03**	0.03	0.0
Total Assets	**15,898**	10,671	49.0
Long-Term Debt	**6,828**	3,550	92.3
Shareholders' Equity	**7,770**	6,301	23.3
Capital Expenditures	**5,093**	5,614	(9.3)
Common Shares Outstanding at December 31			
Basic (Thousands)	**18,941**	16,966	11.6
Fully Diluted (Thousands)	**20,395**	18,340	11.2
Average Weighted Shares Outstanding At December 31 (Thousands)	**17,692**	14,313	23.6
Exploration and Development			
Wells Drilled - major properties			
Gross	**7**	5	40.0
Net	**2.3**	2.3	0.0
Land			
Net Acres (Thousands)	**31,000**	19,000	63.2
Finding and Development Costs ($/Boe)	**6.13**	3.82	60.5
Operations			
Production and Prices (average)			
Crude Oil and NGL Production (Bbls/d)	**471**	317	48.6
Price ($/Bbl)	**22.67**	20.67	9.7
Natural Gas Production (Mcf/d)	**2,498**	915	173.0
Price ($/Mcf)	**1.04**	1.57	(33.8)
Average Production Boepd	**721**	409	76.3
Proven Reserves (Mboe)	**2,060**	1,636	25.9
Proven and Probable Reserves (Mboe)	**3,110**	2,520	23.4
Present Value of Reserves Discounted at 15% before taxes	**18,910**	14,190	33.3

PRESIDENT'S MESSAGE

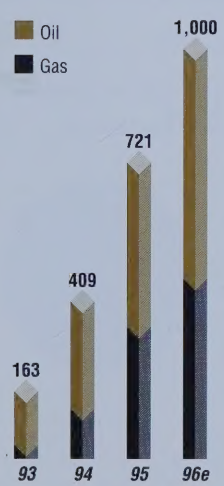
Calahoo's management team and Board of Directors are pleased to report on another successful year of growth for the Company. Year-end exit production at December 31, 1995 was approximately 880 Boepd, up substantially from first quarter production of 555 Boepd.

Nineteen Ninety-Five Review

As a result of the higher production, the Company achieved its targets for cash flow. Cash flow per share increased 30 percent to 13 cents per share in 1995, compared to 10 cents per share in 1994. Earnings were up two cents per share before tax and remained stable at three cents per share after tax.

On the operation side, Calahoo successfully added to its long life, high quality reserves in 1995, replacing production by a factor of 3.4 and also expanded its land base. As a result of this expanded land base, both the quality and quantity of Calahoo's exploration and development opportunities have been greatly improved.

Calahoo's long-term debt increased by 92.3 percent to $6.8 million as of December 31, 1995. Forecasted cash flow for 1996 is $3.0 million and consequently, Calahoo's debt to 1996 cash flow ratio is 2.3. We anticipate 1996 exit cash flow of $3.6 million, which would reduce the ratio below 2.0. Calahoo is serious about controlling its debt and will take measures in the next two years to reduce the debt-to-cash flow ratio to 1.5 or less. As of January 1, 1996 Calahoo's discounted (15 percent) total proved plus probable reserve value is $18.9 million (probable reserves reduced by 50 percent to account for risk). Calahoo also boasts a reserve life of 9.7 years.



Production Forecast: BOEPD (Averages)

Results of 1995 Program

In 1995, Calahoo's capital expenditures totalled $5.1 million, of which $4.4 million was spent on property acquisitions, drilling and production optimization. The balance of $0.7 million was invested into land purchases and seismic programs. In return, the Company achieved impressive yearly average production gains of 100 percent in its core area of Fort St. John/Stoddart in British Columbia and 20 percent in Nottingham, Saskatchewan. Overall yearly production from all sources was increased by about 310 Boepd.

Calahoo expects further cost-effective production gains on its core properties in the years ahead. Incremental proven plus probable reserves assigned to Calahoo's 1995 acquisitions and drilling program is 898 Mboes. Finding and development costs for the year averaged $6.13/Boe, inclusive of all expended capital. (See Operations Review.) Excluding land and seismic purchases and facility maintenance costs, Calahoo's finding and development costs were approximately $5.02/Boe. Given the quality and life of the reserves, this is a very competitive number for a junior oil and gas company. In 1995, operating netbacks on Calahoo's light oil and sweet gas production averaged $12.07/Boe.

Acquisitions/Property Swaps

In 1995, Calahoo completed six strategic property acquisitions and two property swaps in its core areas of Fort St. John and Sedalia/Oyen for a total of $1.1 million. The

Company also closed a major production acquisition of a gas property, in the Stoddart area of British Columbia for $1.6 million. The purchase satisfied a corporate objective of acquiring reserves during periods of low commodity pricing.

Stoddart is two townships north of Fort St. John and represents a high quality investment opportunity for Calahoo. The Company has acquired substantial gas reserves and deliverability at Stoddart as well as infrastructure in the area and prospective undeveloped land.

In the Fort St. John area, Calahoo completed two property acquisitions and two property swaps with joint venture partners in the Airport light oil pool. The acquisitions and swaps resulted in Calahoo obtaining a 100 percent working interest in an offsetting oil well and increased working interest (43.3 percent) and operatorship in a second offsetting oil well and a capped gas well. In the property swaps, Calahoo disposed of its interests in two non-operated, non-core properties.

Cash Flow Distribution by Property

In three separate acquisitions on properties immediately to the north and south of the Fort St. John Airport pool, Calahoo increased its working interest in three capped gas wells to 100 percent, 34 percent and 30 percent and also increased its working interest in the West Eagle Belloy Oil Unit.

In Sedalia/Oyen, Alberta, Calahoo purchased three net sections of undeveloped land and a suspended well with associated gas gathering, compression and dehydration facilities. This is Calahoo's second operated compressor/dehydration station in the area. The infrastructure will allow the Company to expedite the tie-in of new gas production resulting from its 1996 and 1997 exploration and development programs.

Calahoo's 1995 operating statistics for its acquired properties are reconciled as outlined in the following table. Please note that production and reserve estimates are calculated incrementally (ie. net of swapped production/reserves).

Capital Spending	$2.7 million	
Swap Values (Properties Disposed)	($0.3 million)	
Net Proved/Developed Production	1.5 Mmcfd	Gas
	23 Bpd	Ngls
	32 Bpd	Oil
	205 Boepd	
Net Capped Deliverability	0.5 Mmcfd	
Net Proven Reserves	3.0 Bcf	Gas
	40 Mstb	Ngls
	60 Mstb	Oil
	400 Mboes	
Net undeveloped land	5 sections	

Drilling - Operated

The total net cost of Calahoo's 1995 operated drilling program was approximately $0.5 million and included two wells. The first well, drilled for gas on a seismic anomaly in Cessford, Alberta was abandoned. The second well was successfully drilled on the new Stoddart property as a development oil well and is currently producing 44 Bpd (35 Bpd net) of light oil. The Stoddart well justifies follow-up drilling opportunities to be pursued in 1996.

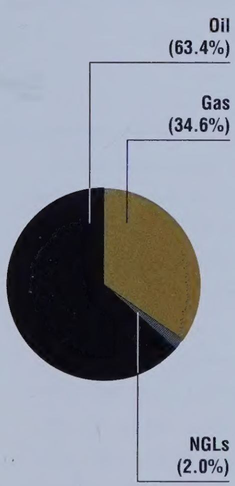
Drilling - Non-Operated

In 1995, Calahoo also participated in the drilling of five (0.4 net) horizontal oil wells at Nottingham, Saskatchewan. All the wells were successful and are currently producing approximately 850 Bpd (72 Bpd net) of light oil. The net cost for the horizontal drilling program was $0.4 million. Calahoo also participated in some successful non-operated infill drilling on two minor properties. The net cost to Calahoo was $0.1 million. The properties were sold later in the year.

Excluding the minor property drilling, Calahoo participated in seven wells, completing six as oil wells and one dry and abandoned for an 86 percent success rate. The operating results of the Calahoo 1995 drilling program can be summarized as follows:

Capital Spending	$1.0 million
Net Proved/Developed Production	105 Bpd Oil
Net Proved/Developed Reserves	190 Mstb

Workovers/Production Optimization



1995 Distribution by Product

Calahoo successfully increased its operated production by 20 percent at Fort St. John through the installation of group separation facilities at the Company's 100 percent owned battery. The separator allowed for compressor optimization on one high pressure flowing oil well.

In the third quarter of 1995 in the Fort St. John area, Calahoo recompleted a suspended 100 percent well bore in an uphole prospective gas zone and participated for 50 percent in another recompletion project with an area operator. On test, the wells flowed gas at a combined rate of approximately 3 Mmcfd (2 Mmcfd net). The 50 percent WI well is scheduled to be tied in and brought onstream in the second quarter of 1996. The 100 percent well is scheduled for tie-in in 1997.

The total net cost of Calahoo's 1995 production optimization activities was $0.7 million. The program resulted in increased overall net production of 20 Bpd oil and 150 Mcfd and capped gas deliverability of approximately 2 Mmcfd.

Land

Calahoo's land position, in both quality and quantity, has been upgraded in 1995. In the Fort St. John/Stoddart area of British Columbia, Calahoo owns over 14,000 net acres of undeveloped land and has compiled undeveloped land holdings of 7,600 net acres in the Sedalia/Oyen area of Alberta. The total net cost of Calahoo's land sale and seismic activity in 1995 was $0.7 million.

1996 Outlook

The outlook for 1996 is promising. The priority for the year is to drill or participate in the drilling of at least 11 wells (6 net), a 300 percent net increase over last year's drilling program. The majority of Calahoo's cash flow will be directed towards this program. In 1996, Calahoo plans to operate the drilling of six wells (5 net), including three oil targets and three gas targets. Half of these projects are considered exploratory. A development well (100 percent WI) has already been drilled in the first quarter and cased as a prospective gas well. Completion operations are scheduled to proceed after break-up.

Calahoo also expects to participate in the drilling at least five (0.4 net) horizontal oil wells in Nottingham. The prospects are classified as development wells and the program is expected to pay out in less than one year. Calahoo has also farmed out a prospect on offsetting land in the area to the operator of the Nottingham Unit. The well has potential to add substantial cash flow at no cost to the Company.

Calahoo will also continue to evaluate and pursue strategic property acquisitions during the year. As well, the Company intends to continue both its production optimization activities and purchases of land and seismic. As previously stated, Calahoo is forecasting cash flow in excess of $3.0 million in 1996, all of which will be reinvested into the above-mentioned activities.

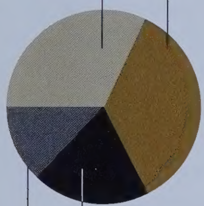
Calahoo's 1996 capital program is expected to add approximately 320 Boepd net to our production base. The Company's 1996 exit production is forecast at approximately 1,200 Boepd, with production for the year expected to average 1,000 Boepd. Assuming conservative oil and gas pricing, 1996 cash flow is forecasted to average 16 cents per share, with exit annualized 1996 cash flow estimated to reach 18 cents per share.

Conclusion

Despite our progress over the past year and forecast results for 1996, the performance of Calahoo common stock on the Alberta Stock Exchange has not lived up to our expectations. Calahoo shares have declined from approximately 50 cents (five times 1994 cash flow per share) early in 1995, to a year-end price of 40 cents (three times 1995 cash flow per share). Our share performance has likely been affected by a general market trend in 1995 away from smaller junior oil and gas companies.

To date, Calahoo has concentrated primarily on acquisition and development activity. Our Company has also pursued fewer, but higher interest (30 - 100 percent) exploration plays. While this strategy may have sacrificed short-term gains in share price, we believe it will ultimately yield long-term increases in net asset value and a higher, sustained share price. In 1996 we'll be shifting our focus towards a more aggressive exploration program, with three or four high-interest exploration wells budgeted for drilling prior to year end.

Calahoo's current net asset value (less long term debt) is 64 cents per share, based on the 1996 McDaniels and Associates' evaluation of our total proved and risked (50 percent) probable reserves.



Reserve Distribution

Net Asset Value

	15% DCF ($mm)
Total Proved	16.0
* Probables (Risked at 50 percent)	3.0
Total Proved and Probable	19.0
Current Debt and working capital (Dec/95)	6.8
	12.2
Net Asset Value / Share	$ 0.64

This calculation, combined with a 1996 cash flow forecast of 16 cents per share, indicates the Company's shares are undervalued at today's trading prices. Management and the Board of Directors encourage our existing and future shareholders to continue acquiring and holding Calahoo common shares for the long term.

At this time, I would like to express my gratitude to the Board of Directors and Calahoo's management, employees, consultants and contractors who have been instrumental in Calahoo's success to date. I would also like to thank our shareholders for their past, present and future support.

Sincerely yours,
Calahoo Petroleum Ltd.

Michael B. O'Hara
President and Chief Executive Officer

March 15, 1996

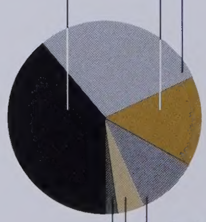
CORPORATE STRATEGY

To date, management has focused on acquiring stable long life production that can provide funding for further drilling and/or acquisition opportunities. The initial part of the strategy has been achieved and over the next two to three year period, Calahoo will direct a large proportion of its discretionary cash flow into drilling. Currently Calahoo has an excess of quality projects in inventory and will enjoy the success-driven process of bringing only the best prospects forward in the years ahead.

Calahoo will continue to pursue profitable and strategic, core area acquisitions, taking advantage of the recent improvements in the number and quality of producing properties being offered for sale. Calahoo also plans to acquire a high quality property to develop into another core area for the Company. An important goal to Calahoo is to build a successful, dynamic, intermediate-sized corporation with a relatively small number of high value, major properties.

The Company will be active and desires to operate. Consideration will also be given to joint venture properties or exploration/development opportunities which are operated by efficient, experienced companies with a successful track record. We believe that maintaining high interests in our properties will result in low general and administrative costs relative to production. Corporate debt will be maintained at a manageable level relative to cash flow.

OPERATIONS REVIEW



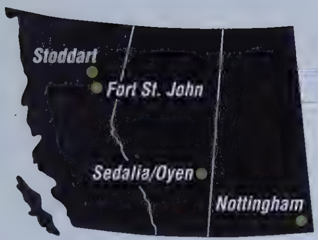
1995 Production Distribution by Property (Boepd)

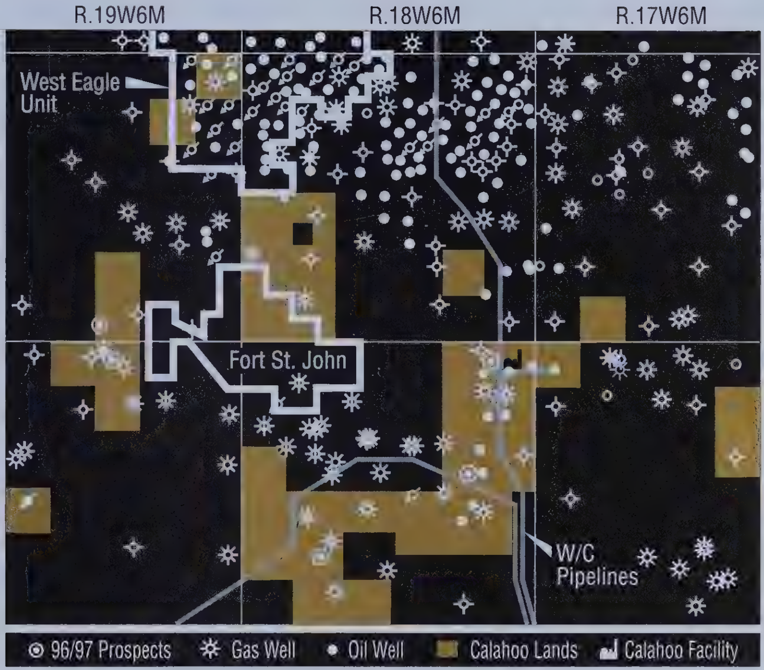
Production by Property*

	Oil Bpd	Gas Mcfd	NGLs Bpd	Total Boepd
Fort St. John/West Eagle	180	670	6	253
Nottingham	303	0	0	303
Sedalia	0	690	0	69
Stoddart	29	1,520	18	199
Bassett Lake	0	420	0	42
Minor Properties	12	0	0	12
Totals	524	3,300	24	878

* Based on fourth quarter average production.

Fort St. John, B.C.



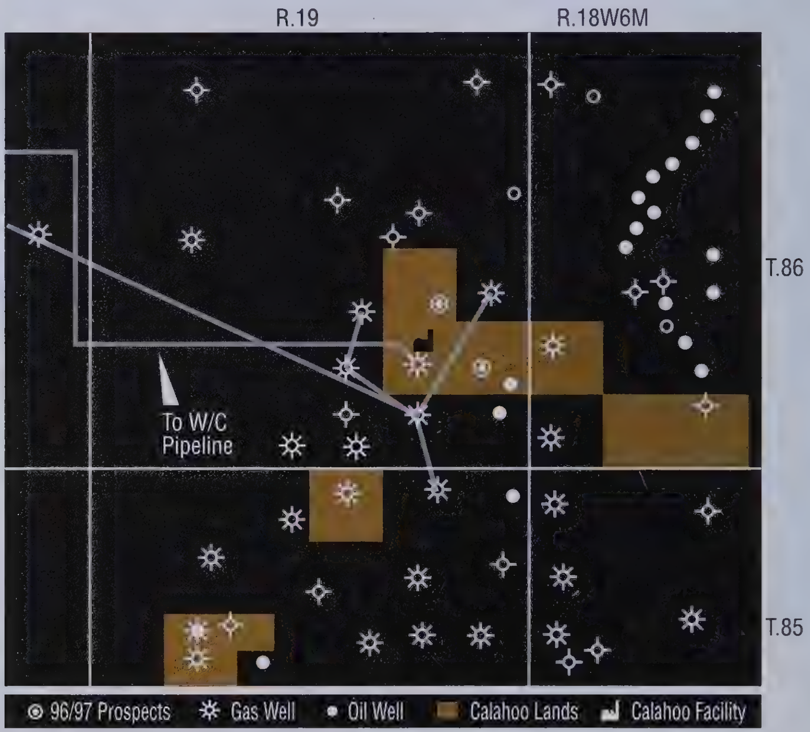


Calahoo's largest operated property is located in the Fort St. John area of British Columbia. Light oil and solution gas is produced from six operated wells in the Airport North Pine pool. Five wells are 100 percent WI and one well is 43.3 percent WI. All wells are pipeline connected to a central battery (100 percent WI) and a solution gas compression/dehydration facility (70 percent WI). Net average production increased from 116 Boepd (70 percent oil, 30 percent gas) in December, 1994 to 158 Boepd (73 percent oil, 27 percent gas) in December, 1995. The increase is attributed to buyouts and swaps for partners' interests in the pool, stimulation of two wells, and modification of compression facilities to reduce the wellhead pressure of a flowing oil well. Production for 1996 is expected to average 230 Boepd, up more than 40 percent from 1995 average production. A development well (100 percent WI) was drilled in January targeted for North Pine oil. The North Pine well came in low (wet), but the well was cased for a prospective gas zone uphole. Completion operations will proceed following spring break-up.

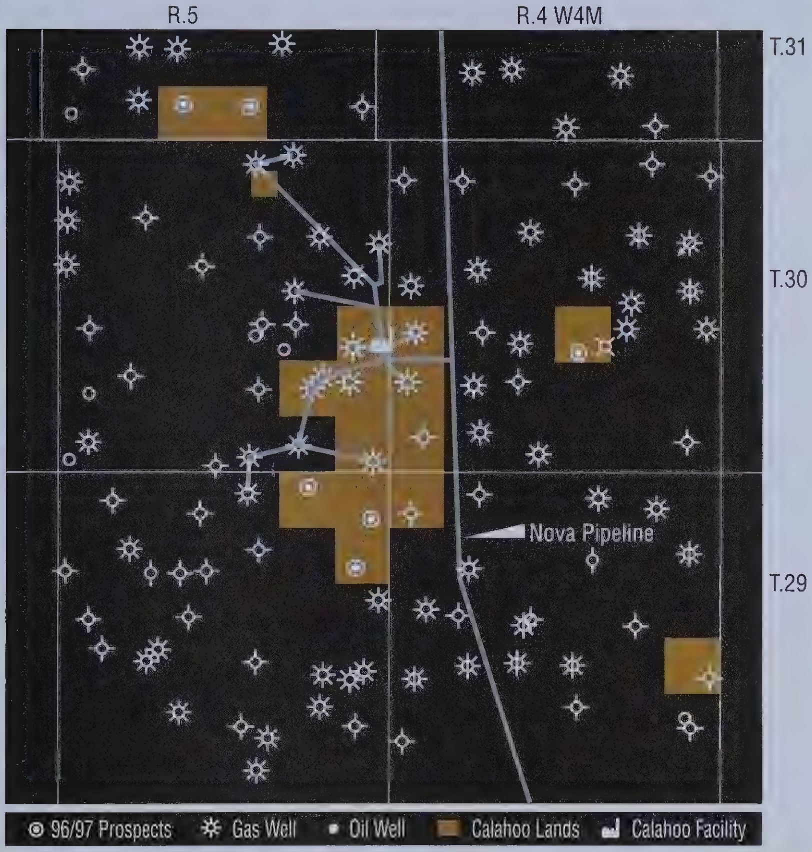
To the north, in the West Eagle area, Calahoo successfully acquired and completed two suspended wellbores in uphole gas horizons. The 6-36-84-19 W6 well (50 percent WI) flow tested gas at upwards of 3 Mmcfd. The operator plans to bring the well on stream in the second quarter of 1996. Pipeline requirements are minimal as the well was previously tied in for West Eagle Unit production. Calahoo's share of gas production is expected to stabilize in the range of 0.8 Mmcfd. The 16-26-84-19 W6 (100 percent WI) well tested uphole gas at 1 Mmcfd and pending recovery of gas prices, will be tied in 1997.

Calahoo owns an interest in over 14,000 net acres of undeveloped land in this area. Exploratory wells scheduled for drilling in 1996 and 1997 will test a prospective oil pool and gas pool on the lands. Calahoo also has working interests of 34 percent and 30 percent in two "capped" gas wells in this area. The combined future deliverability of the wells is estimated at 0.5 Mmcfd net to Calahoo. Tie-ins are tentatively scheduled for 1997.

Stoddart, B.C.



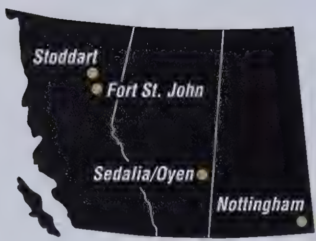
Located two townships to the north of Fort St. John is Calahoo's operated Stoddart property. This strategic acquisition gives the Company a high deliverability gas well (60 percent WI) and adds over 2.4 Bcf net of sweet gas reserves. The property is also equipped with a large wellsite compressor, associated wellsite facilities and a pipeline carrying the gas into the Westcoast system. Since acquiring the property, effective May, 1995 Calahoo has increased its net production from the well by 25 percent to 1.5 Mmcfd and 24 Bpd of liquids. Also included in the acquisition were two sections of undeveloped lands over a prospective light oil pool. Calahoo successfully drilled an oil well on these lands in the fourth quarter of 1995 and another oil well is scheduled to be drilled immediately after spring break-up. Should the next well be successful, further drilling will proceed on the lands. Following the completion of two recent acquisitions from partners, Calahoo's working interest in the lands will be 90 percent. Calahoo also has an interest in another 1,600 net acres of undeveloped land in the area.



Calahoo owns and operates two gas properties in the Sedalia and Oyen areas of Eastern Alberta. Net production at Sedalia is currently 0.7 Mmcfd from five high-interest wells. Calahoo also owns 100 percent of the gas gathering system and the compressor station at Sedalia.

In 1995, Calahoo was operationally inactive in Sedalia/Oyen due to poor gas prices. However, the Company successfully purchased land in and around the Sedalia and Oyen gas gathering systems and now owns over 7,000 net acres of undeveloped multi-zone prospective land. Calahoo has licensed three 100 percent WI wells which are scheduled to be drilled in May or June. Pending success, the wells will be put onstream in the fall.

The Sedalia/Oyen areas have excellent gas potential and over the next two years should provide Calahoo with opportunities to make substantial cost-effective gains in gas reserves and production.



Calahoo holds an 8.5 percent WI in the Nottingham North Alida Beds Unit located in Southeastern Saskatchewan. In 1995, Calahoo participated in five horizontal wells, all of which were successful. Average stabilized production for the new wells is approximately 850 Bpd (72 Bpd net) of 42° API crude and payout is expected to be less than 12 months. The operator has budgeted for at least five more horizontal wells this year. Drilling operations are scheduled to commence in the third quarter. The Unit has excellent netbacks and a long reserve life.

Calahoo has entered into a farm-out agreement on a high-interest offsetting quarter section with the Unit operator. A well will be drilled and if successful, Calahoo will receive a lessor royalty and an overriding royalty convertible to a working interest. The operator has licensed the horizontal prospect and plans to spud the well in June.

Reserve Reconciliation (McDaniels) **Total Proven**	Oil & liquids (Mbbls)	Gas (Mmcf)
January 1, 1995	1,000	6,360
Production	(172)	(912)
Dispositions	(41)	(63)
Additions	163	5,710
January 1, 1996	950	11,095

Total Proven & Probable	Oil & liquids (Mbbls)	Gas (Mmcf)
January 1, 1995	1,693	8,330
Production	(172)	(912)
Dispositions	(45)	(68)
Additions	87	8,110
January 1, 1996	1,563	15,460

	Crude Oil (Mbbls)	NGLs (Mbbls)	Natural Gas (Mmcf)
Life Index (i)	7.8	8.6	12.9

Crude Oil, Natural Gas and Future Net Production Income	Crude Oil and NGLs (Mbbls)	Natural Gas (Mmcf)	Discount rates before tax 0%	10%	15%	20%
Proven Reserves			$	$	$	$
Producing	937	8,090	28,313	17,663	14,880	12,877
Non-Producing	13	3,005	4,237	1,564	1,070	774
Total	950	11,095	32,550	19,227	15,950	13,651
Probable Reserves (ii)	307	2,185	10,661	4,074	2,960	2,275
Total Proven and Probable Reserves	1,257	13,280	43,211	23,301	18,910	15,926

Notes

(i) based on 4Q average production

(ii) probable reserves risk adjusted @ 50%

PRICING ASSUMPTIONS **(McDaniels & Associates)**	Crude oil, WTI $US/Bbl	Edmonton Light $Cdn/Bbl	Gas (Mmcf) $Cdn/Mmbtu
1996	18.50	24.10	1.50
1997	19.20	25.00	1.75
1998	20.00	26.10	2.00
1999	20.80	27.10	2.20
2000	21.60	28.20	2.40
2001	22.50	29.40	2.55
2014	39.80	52.40	4.95
2015 and thereafter	41.60	54.80	5.20

Finding and Development Costs

Finding and development costs for the year were $6.13 per Boe. Acquisition and finding costs were calculated by dividing the total December 31, 1995 capitalized costs by total proven and probable reserves as at January 1, 1996.

In 1995 the Company invested 20 percent of total capital expenditures in undeveloped land and property maintenance. Calahoo's land holdings provide the base for future growth and maintenance expense improves overall operating efficiencies. Calahoo recognized that the timing of these expenditures would raise our finding and development costs in 1995. Calahoo expects further cost-effective reserve additions in the future.

Annual Finding and Development Costs

Year ended December 31	**1995**	1994
$000'S		
Total capitalized costs	**5,506**	5,614
Proven reserve additions (Mboe)	**734**	700
Average cost per Boe	**$7.50**	$8.02
Proven and probable reserve additions (Mboe)	**898**	1,469
Average cost per Boe	**$6.13**	$3.82

Cumulative Finding and Development Costs

Year ended December 31	**1995**	1994
$000'S		
Total capitalized costs	**17,280**	11,168
Proven reserve additions (Mboe)	**2,060**	1,636
Average cost per Boe	**8.39**	6.83
Proven and Probable reserves additions (Mboe)	**3,110**	2,520
Average cost per Boe	**5.56**	4.43

Netbacks

	1995	1994
	$/Boe	$/Boe
Revenue	**18.65**	19.43
Royalties	**(3.56)**	(3.73)
Operating expenses	**(3.02)**	(3.06)
Netback	**12.07**	12.64

In 1995, Calahoo's production averaged 721 Boepd, split 457 Bbls/d of oil, 14 Bbls/d of NGLs and 2.5 Mmcf/d of gas. In 1994, Calahoo's production averaged 409 Boepd, split 314 Bbls/d of oil, 3 Bbls/d of NGLs and 0.9 Mmcf/d of gas.

Marketing Arrangements

Calahoo sells its oil at Nottingham and Fort St. John/Stoddart to Volant Energy and Husky Oil Operations Ltd. respectively. The average price received at the wellhead was $22.92. Ninety-five percent of Calahoo's oil production is light, averaging 38° API. The majority of our natural gas has been contracted through CanWest Gas Supply Inc. in B.C. and TransCanada Gas Services Inc. in Alberta, giving us stability in our natural gas revenue.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

Calahoo achieved excellent results in all areas in 1995, with higher oil and gas production resulting in increased cash flow from operations. Oil and gas sales increased 69 percent, cash flow from operations increased 52 percent, net earnings before tax and after tax increased 69 percent and 16 percent respectively and shareholders' equity increased 22 percent. The Company's growth in 1995 was financed in part by reinvestment of cash flow, $0.9 million of new equity and an increase of $2.6 million in new debt.

Revenues

Income Statement Analysis
($ thousands, except per unit amounts)

	1995	1994	$ Change	% Change
Oil and Gas Revenues ($)	4,906	2,903	2,003	69.0
Average Oil Prices ($/Bbl)	22.92	20.67	2.25	10.9
Average Gas Prices ($/Mcf)	1.04	1.57	(0.53)	(33.8)
Average NGLS Prices ($/Bbl)	14.40	10.44	3.96	37.9
Royalties (Net of ARTC)	936	557	379	68.0
Per Boe ($)	3.56	3.73	(0.17)	(4.6)
Production Expenses	794	456	338	74.1
Per Boe ($)	3.02	3.06	(0.04)	(1.3)
General and Administrative	403	225	178	79.1
Per Boe ($)	1.53	1.51	0.02	1.3
Interest on Long-term Debt	481	200	281	140.5
Per Boe ($)	1.83	1.34	0.49	36.6
Cash Flow from Operations	2,212	1,460	752	51.5
Per Boe ($)	8.41	9.79	(1.38)	(14.1)
Depletion and Depreciation	1,397	943	454	48.1
Per Boe ($)	5.31	6.32	(1.01)	(16.0)
Net Earnings Before Tax	829	490	339	69.2
Per Boe ($)	3.15	3.28	(0.13)	(4.0)
Net Earnings After Tax	567	490	77	15.7
Per Boe ($)	2.15	3.28	(1.13)	(34.5)

The Company continues to focus on three core properties: Fort St. John/Stoddart in Northeastern British Columbia, Nottingham in Southeastern Saskatchewan; and Oyen/Sedalia in Southeastern Alberta. The production from these core properties accounts for 94 percent of total corporate revenues.

Oil and gas sales increased 69 percent to $4.9 million from $2.9 million in 1994. Crude oil prices averaged $22.92/Bbl, compared to $20.67 per barrel in 1994. Gas prices decreased to $1.04/Mcf from $1.57/Mcf in 1994. Crude oil and natural gas liquids production was 172,000 Bbls in 1995, an increase of 49 percent compared to 115,700 Bbls in 1994. Natural gas production was 912,000 Mcf in 1995, compared to 334,000 Mcf in 1994, an increase of 173 percent. The increases were realized in Calahoo's core areas of Fort St. John/Stoddart and Nottingham.

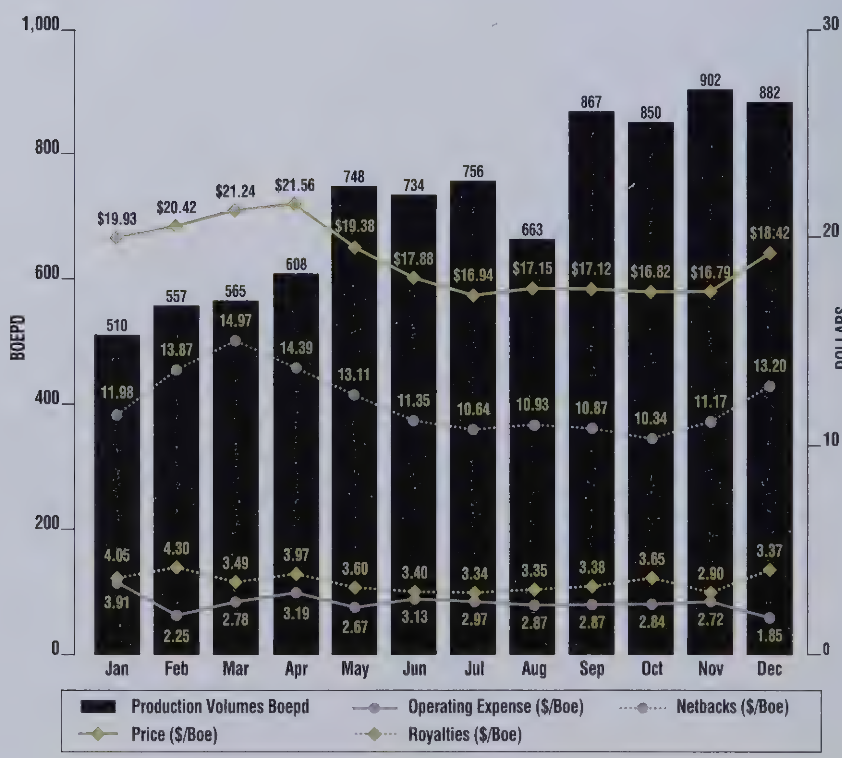
Royalties and Production Expenses

Royalties for 1995 totalled $0.9 million or 20 percent of production revenue. Because royalties in Nottingham are affected by the 75 Mstb royalty holiday for horizontal wells, the average royalty rate for the year for this property was 25 percent. Royalty rates for the other two core properties - Fort St. John/Stoddart and Sedalia/Oyen - averaged in the 12 to 17 percent range. In 1995 the Company received royalty tax credits of approximately $25,000. Calahoo also received $37,000 of royalty payments from other operators through its overriding royalty interests in certain producing lands.

The Company's operating costs for 1995 were $3.02/Boe (barrel of oil equivalent on a 10 Mcf of gas to 1 barrel of oil basis), consistent with 1994 operating costs of $3.06/Boe. The cost by core area was: Fort St. John - $4.40/Boe, Stoddart - $2.10/Boe, Nottingham - $0.92/Boe and Sedalia - $5.25/Boe.

The following bar chart illustrates Calahoo's production growth on a month-to-month basis in 1995. Also illustrated on the chart are Calahoo's monthly prices, operating costs, royalties and operating netbacks. Please note all values are shown per Boe.

1995 Performance



Netbacks

On a Boe of production basis, Calahoo's netbacks averaged $12.07 in 1995. The high netbacks are attributed to the following factors: below average operating costs; the premium-priced light crude oil (averaging 38° API); and the sweet gas produced at the Company's core oil and gas properties.

Cash Flow Breakdown

	1996 Forecast	**1995**	1994
	$/Boe	**$/Boe**	$/Boe
Netback	**11.85**	**12.07**	12.67
General & Administrative	**(1.95)**	**(1.53)**	(1.51)
Interest	**(1.67)**	**(1.83)**	(1.34)
Taxes	**(0.21)**	**(0.30)**	(0.03)
Cash Flow	**8.02**	**8.41**	9.79

Financial Leverage Sensitivities

	Cash Flow From Operations	
	$ Thousands	Per Share
Oil price ($1.00 Cdn /Bbl)	162	0.009
Gas price (10 cents Cdn/Mcf)	110	0.006
Oil volume (100 Bbls/d)	596	0.032
Gas volume (1.0 Mmcf/d)	150	0.008
Canadian prime rate (1%)	67	0.004

General and Administrative Expenses

The Company's net general and administrative costs averaged $1.53/Boe during 1995, comparable to 1994 costs of $1.51/Boe. The amount of capitalized general and administrative costs was $130,000.

Gross general and administrative expenses were $0.53 million. This is before the overhead recovered from operating wells and facilities and capital projects. Overhead recoveries are normally flat rate charges that an operator of a particular well or project is allowed to charge the well or project in order to compensate the operator for the various overhead expenditures that are incurred by it but are not otherwise specifically reimbursed.

Overhead recoveries from third parties for 1995 were as follows: capital- $28,300 and operating- $15,700. Calahoo charges overhead recoveries against its own account on the same basis as it would be allowed to charge its partners of wells or projects. The amount charged to capital for overhead recoveries of Calahoo properties was $25,000.

Interest Expense

Interest expense increased from $0.2 million in December 31, 1994 to $0.5 million in 1995. The increase is attributed to increased bank indebtedness as a result of the capital additions made during the year. Calahoo has the ability to borrow funds through its bank by way of prime-based loans and through bankers' acceptances. By borrowing through bankers' acceptances, Calahoo has been able to reduce its interest rates to levels less than the prevailing prime-based loan rates. Calahoo's 1995 interest obligation was well covered by both earnings and cash flow during the year.

Depletion, Depreciation and Amortization

Depletion is provided on a unit-of-production basis based on total proven reserves. In 1995 the annual production volume was 263,000 Boes, an increase of 77 percent from 149,000 Boes for the year ended December 31, 1994. The total proven reserves increased by 26 percent.

The provision for depletion increased from $0.9 million to $1.38 million in 1995. Depletion on a unit-of-production basis in 1995 was $5.31/Boe versus $6.32/Boe in 1994, with the rate of depletion being 11.5 percent versus 1994's 8.4 percent. The increase in depletion is primarily due to the increased production in 1995 and the 35 percent increase in depletable costs.

As required under full cost accounting for oil and natural gas costs, Calahoo applies a ceiling test to ensure capitalized costs do not exceed the estimated value of future net revenues from production of proven reserves, less future operating and production related general and administrative expenses, financing costs, and income taxes. As a result of this test, no write down was required in 1995.

Income Taxes

Except for Saskatchewan surcharge tax, Calahoo did not have a current income tax liability for the year ended December 31, 1995. Deferred income taxes were booked as 1995 was the first year that the Company's tax pools did not exceed the book pools. However, as at December 31, 1995, approximately $14.4 million in tax pools are available to reduce future years' taxable income. Calahoo does not anticipate being taxable in 1996.

Cash Flow and Net Earnings

This year, cash flow from operations increased by $0.8 million or 52 percent to $2.2 million. Net earnings before tax increased by almost the same percentage to $0.83 million from $0.49 million in 1994. Due to deferred taxes being provided for the first time in 1995, net earnings after tax were $0.57 million in 1995 compared to the previous year's $0.49 million. These increases were mainly the result of increased volumes of oil and gas production and sales.

Equity funding of $0.9 million during the year increased the Company's weighted average number of shares outstanding by 24 percent to 17.7 million shares, compared to 14.3 million in 1994. Despite the larger number of shares outstanding, cash flow from operations and net earnings before tax increased by 30 percent and 67 percent respectively to $0.13 per share and $0.05 per share respectively.

Liquidity and Capital Resources

Calahoo's 1995 net capital expenditures were $5.1 million, approximately 75 percent of which were expended on core properties. Acquisitions of producing properties accounted for $2.7 million. Drilling and equipping wells represented approximately $1.0 million (including minor properties). Production optimization costs to the Company were approximately $0.7 million, while land and seismic programs amounted to $0.7 million.

During 1995, the main sources of capital were cash flow from operations, equity issues, bank indebtedness and the sale of a non-core asset. Calahoo's cash flow from operations was $2.2 million for the year ended December 31, 1995, up $0.8 million from 1994.

On April 1, 1995, as partial consideration ($414,246) for the purchase of Planet Oil & Gas Ltd., Calahoo issued 726,748 Common Shares to the shareholders of Planet Oil & Gas Ltd. On November 17, 1995 the Company completed a private placement for the sale of 1.2 million flow-through Common Shares, for a gross consideration of $548,150 ($492,150 after tax).

The Company has a revolving term credit facility in the amount of $7.0 million with interest at prime plus 5/8 percent. The credit facility is available by way of Canadian and U.S dollar prime-based loans, bankers' acceptances and letters of guarantee and is subject to annual review. At year end the Company had unused credit of $0.2 million. Calahoo expects that the annual review may result in an increase in the facility. The Company does not plan to increase its debt significantly in 1996. Instead, it intends to use primarily 1996 cash flow to fund ongoing oil and gas development and exploration projects. Future debt-to-cash flow ratio levels, currently at 2.7, is forecast to be reduced to less than two times annual cash flow by the end of 1996.

At December 31, 1995 equity capitalization consisted of 18,941,292 Common Shares and 1,453,800 Common Shares reserved for exercise under various employee and direct stock option agreements with an average exercise price of $0.31.

Business Risks

The oil and gas industry is subject to risks not only in the finding and developing of petroleum and natural gas reserves, but also in the commodity prices, interest rates and environmental concerns. Calahoo attempts to mitigate these business risks by:

- Focusing on activities and areas in which it has proven expertise;
- Developing and exploring prospects in close proximity to the Company's core areas;
- Owning and operating production and processing facilities wherever possible to control amount and timing of capital expenditures;
- Diversifying buyers and the type and length of contracts for the sale of our products.

Calahoo has historically not hedged its commodity price or interest rate risk through forward sales, but will continue to evaluate risk management opportunities on an ongoing basis.

Safety and Environmental Policy

The Company adheres to a defined set of environmental guidelines. Calahoo sets aside $25,000 per net well and $50,000 per net battery for site restoration and reclamation (net of salvage value). An annual expense is recorded calculated by the unit-of-production method using total proven reserves.

Outlook

For the year ended December 31, 1996 Calahoo expects that it will average 1,000 Boepd, split between 620 Bbls/d of oil and natural gas liquids and 3,800 Mcfd of gas. Based on average selling prices of $17.50 U.S.WTI per Bbl for oil and natural gas liquids and $1.10/Mcf for gas, Calahoo forecasts that cash flow from operations for 1996 will be $3.0 million ($0.16 per share).

MANAGEMENT'S/AUDITORS' REPORT

Management's report To the Shareholders of Calahoo Petroleum Ltd.

The accompanying financial statements and all other information presented in this annual report are the responsibility of the Company's management.

The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. The Company's internal controls have been designed and maintained by management to provide reasonable assurance that assets are properly safeguarded and that the financial records are sufficiently well maintained to provide relevant, timely and reliable information to management and to allow preparation of the financial statements in accordance with the Company's accounting policies. Where necessary, certain estimates are made by management. The financial statements have been prepared within reasonable limits of materiality and within the framework of the significant accounting policies as summarized in the notes to the financial statements.

Deloitte & Touche, an independent firm of chartered accountants, have been appointed by the Shareholders to examine the financial statements and to report to the Shareholders. The Audit Committee, consisting of directors, a majority of whom are not employees of the Company, have reviewed the financial statements, including the notes thereto, with management and Deloitte & Touche. The financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

Michael B. O'Hara
President and Chief Executive Officer

Jill T. Angevine
Controller

Auditors' Report To the Shareholders of Calahoo Petroleum Ltd.

We have audited the consolidated balance sheets of Calahoo Petroleum Ltd. as at December 31, 1995 and 1994 and the consolidated statements of earnings and retained earnings and of changes in financial position for the years ended December 31, 1995 and 1994. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1995 and 1994 and the results of its operations and the changes in its financial position for the years ended December 31, 1995 and 1994, in accordance with generally accepted accounting principles.

Calgary, Alberta
March 8, 1996

Deloitte & Touche
Chartered Accountants

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS

Calahoo Petroleum Ltd.

For The Years Ended December 31	1995	1994
	$	$
REVENUE		
Oil and gas	**4,906,016**	2,903,077
Royalties	**(959,866)**	(581,827)
Alberta royalty tax credit	**24,423**	25,000
	3,970,573	2,346,250
EXPENSES		
Oil and gas production	**793,989**	455,968
General and administrative	**403,316**	224,601
Interest on long-term debt	**481,259**	200,473
Depletion and depreciation	**1,397,177**	943,000
Site restoration	**55,000**	27,000
Capital tax	**11,086**	4,434
	3,141,827	1,855,476
Earnings Before Income Taxes	**828,746**	490,774
Provision for income taxes (Note 6)	**262,000**	–
Net Earnings (Note 7)	**566,746**	490,774
Retained earnings (deficit), beginning of year	**490,774**	(1,387,862)
Reduction of stated capital (Note 5)	**–**	1,387,862
Retained earnings, end of year	**1,057,520**	490,774

CONSOLIDATED BALANCE SHEETS

Calahoo Petroleum Ltd.

As At December 31	1995 $	1994 $
Assets		
Current		
Accounts receivable	**1,024,388**	524,941
Petroleum and natural gas properties (Note 3)	**14,873,536**	10,146,276
	15,897,924	10,671,217
Liabilities		
Current		
Accounts payable	**963,954**	787,118
Long-term debt (Note 4)	**6,827,908**	3,550,013
Future site restoration costs	**86,961**	33,000
Deferred income taxes (Note 6)	**249,000**	–
	8,127,823	4,370,131
Shareholders' Equity (Note 5)		
Share capital	**6,712,581**	5,810,312
Retained earnings	**1,057,520**	490,774
	7,770,101	6,301,086
	15,897,924	10,671,217

APPROVED BY THE BOARD

Director

Director

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

Calahoo Petroleum Ltd.

For The Years Ended December 31	**1995**	1994
	$	$
Net inflow (outflow) of cash related to the following activities:		
OPERATING		
Net earnings	**566,746**	490,774
Items not affecting cash		
Depletion and depreciation	**1,397,177**	943,000
Site restoration provision	**55,000**	27,000
Deferred income taxes	**193,000**	–
Funds provided by operations	**2,211,923**	1,460,774
Changes in non-cash operating working capital items	**(136,740)**	(127,201)
Cash provided by operating activities	**2,075,183**	1,333,573
FINANCING		
Increase in long-term debt	**2,585,100**	1,244,281
Issue of share capital on acquisition of subsidiary (Note 2)	**414,246**	–
Issue of share capital, net (Note 5)	**544,023**	2,458,707
Cash available for investing	**5,618,552**	5,036,561
INVESTING		
Purchase of petroleum and natural gas properties	**(5,092,672)**	(5,614,009)
Acquisition of subsidiary company (Note 2)	**(414,246)**	–
Changes in non-cash investing working capital items	**(110,595)**	577,422
Other	**(1,039)**	26
Cash invested	**(5,618,552)**	(5,036,561)

1. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles, and reflect the following policies:

Basis of Presentation

The consolidated financial statements include the accounts of Calahoo Petroleum Ltd. and its wholly owned subsidiary, Planet Oil and Gas Ltd., which was acquired April 1, 1995. Effective January 1, 1996, Planet Oil and Gas Ltd. was amalgamated into Calahoo Petroleum Ltd. The new entity continues as Calahoo Petroleum Ltd.

Petroleum and Natural Gas Properties

The Company follows the full cost method of accounting in accordance with the guideline issued by the Canadian Institute of Chartered Accountants whereby all costs associated with the exploration for and development of petroleum and natural gas reserves, whether productive or unproductive, are capitalized in a Canadian cost centre and charged to income as set out below. Such costs include lease acquisition, drilling, geological, and overhead expenses related to exploration and development activities. Costs of acquiring and evaluating unproved properties are excluded from depletion calculations until it is determined whether or not proved reserves are attributable to the properties or impairment occurs.

Gains or losses are not recognized upon disposition of petroleum and natural gas properties unless crediting the proceeds against accumulated costs would significantly alter the rate of depletion.

Depletion is provided on accumulated costs using the unit of production method. For purposes of the depletion calculation, proven petroleum and natural gas reserves are converted to a common unit of measure on the basis of their approximate relative energy content.

The net carrying value of the Company's petroleum and natural gas is limited to an ultimate recoverable amount. This amount is the aggregate of future net revenues from proved reserves and the costs of unproved properties, net of impairment allowances, less future general and administrative costs, financing costs, restoration and abandonment costs, and income taxes. Future net revenues are estimated using year end prices.

Office Equipment

Depreciation of office equipment is provided by a straight-line method at a rate of 20% per annum.

Flow-through Shares

During 1995, the Company issued flow-through shares to finance a portion of its capital expenditure program. Pursuant to the terms of the flow-through share agreement, the tax deductions associated with the expenditures have been renounced to the subscribers. Accordingly, share capital has been reduced and deferred income taxes recorded equal to the estimated amount of future income taxes payable by the Company as a result of the renunciations.

Joint Venture Accounting

A portion of the Company's exploration and production activities is conducted jointly with others and, accordingly, these financial statements reflect only the Company's proportionate interest in such activities.

Future Site Restoration

The estimated cost of site restoration is based on the current cost of the anticipated method and extent of site restoration in accordance with existing legislation and industry practice. The total future liability is estimated to be $525,000. The annual provision is provided for on a unit of production basis and is accounted for as an expense.

2. Acquisitions

On April 1, 1995, the Company acquired all of the outstanding shares of Planet Oil and Gas Ltd. ("Planet") for a purchase price of $414,246. Planet was 40% owned by three directors of the Company. The purchase price was satisfied by issuance to Planet shareholders of 726,748 Class A voting common shares of the Company.

The acquisition has been accounted for by the purchase method. The results of operations of Planet have been included in these financial statements from the date of acquisition.

Details of the assets and liabilities acquired are as follows:

	$
Working capital	75,276
Property and equipment	1,031,765
Long-term debt	(692,795)
	414,246

3. Petroleum and Natural Gas Properties

	Cost	Accumulated Depletion and Depreciation	Dec. 31, 95 Net Book Value	Cost	Accumulated Depletion and Depreciation	Dec. 31, 94 Net Book Value
	$	$	$	$	$	$
Properties and equipment	17,280,157	2,456,150	14,824,007	11,167,602	1,076,150	10,091,452
Office equipment	83,394	33,865	49,529	71,512	16,688	54,824
	17,363,551	2,490,015	14,873,536	11,239,114	1,092,838	10,146,276

For the year ended December 31, 1995, the Company capitalized $130,000 (for the year ended December 31, 1994 - $80,000) of overhead costs related to exploration and development.

4. Long-term Debt

The bank loan is a revolving term loan that bears interest at a rate of prime plus 5/8 of 1% per annum. Fixed and floating charge debentures on the properties of the Company and a general assignment of book debts have been granted as security.

The maximum amount of borrowing currently available under this revolving bank loan facility is $7,000,000. In accordance with the loan agreement, the Company has $5,500,000 in bankers' acceptances as part of its outstanding debt, at an interest rate of 7.575% expiring on May 23, 1996. The undrawn portion at December 31, 1995 is $172,092.

The cash balance is zero at the end of the period as a result of a daily positioning arrangement between the current bank and loan accounts at the Company's bank.

5. Share Capital

Authorized
Unlimited number of Class A voting common shares
Unlimited number of Class B non-voting common shares
Unlimited number of Class C non-cumulative, non-voting, redeemable preferred shares

Common shares issued

	Number of Shares	Amount $
Balance, December 31, 1993	12,846,434	4,739,467
Issued for cash:		
stock options	30,000	5,100
private placement	4,120,000	2,472,000
Share issuance costs	–	(18,393)
Reduction in stated capital	–	(1,387,862)
Balance, December 31, 1994	16,996,434	5,810,312
Shares issued for the acquisition of Planet	726,748	414,246
Issued for cash:		
private placement of flow-through shares	1,218,110	548,150
Tax benefits renounced	–	(56,000)
Share issuance costs	–	(4,127)
Balance, December 31, 1995	18,941,292	6,712,581

Options

At December 31, 1995, the Company had 1,453,800 (1994 - 1,373,000) employee and director stock options outstanding exercisable at $0.17 to $0.53 per share which expire at varying dates to 2000.

Reduction in Stated Capital

By resolution of the shareholders effective June 1, 1994, the stated capital was reduced by $1,387,862, the amount of the Corporation's deficit as at December 31, 1993.

Flow-through Common Shares

During 1995, the Company issued 1,218,110 common shares for $548,150. The terms of these shares provide that the Company renounce tax deductions in the amount of $548,150 of which $124,250 were incurred and renounced to December 31, 1995.

6. Income Taxes

The provision for income taxes differs from the amounts that would have resulted had the combined federal and provincial statutory tax rate been applied to the earnings for the year as follows:

	1995	1994
	$	$
Computed income tax expense at statutory tax rate of 44.34%	**367,466**	306,000
Increase (decrease) resulting from:		
Non-deductible crown charges	**330,209**	183,000
Resource allowance	**(384,375)**	(249,000)
Alberta Royalty Tax Credit	**(10,830)**	(11,000)
Share issuance costs	**(1,830)**	–
	300,640	229,000
Utilization of income tax deductions not previously recognized for accounting purposes	**(107,640)**	(229,000)
	193,000	–
Provision for Saskatchewan resource tax	**69,000**	–
Provision for income taxes	**262,000**	–

At December 31, 1995, the Company had income tax pools available to reduce future years' income for tax purposes of approximately:

	$
Canadian oil and gas property expense	7,789,000
Canadian development expense	1,669,000
Canadian exploration expense	2,112,000
Undepreciated capital costs	2,524,000
Earned depletion	344,000
	14,438,000

7. Earnings and Funds Flow Per Share

	Year Ended December 31, 1995	Year Ended December 31, 1994
	$	$
Earnings per share		
- basic	**0.03**	0.03
- fully diluted	**0.03**	0.03
Funds flow per share		
- basic	**0.13**	0.10
- fully diluted	**0.13**	0.09
Weighted average number of common shares	**17,692,171**	14,313,475

CORPORATE INFORMATION

Directors

Michael O'Hara, P.Eng.
President & Chief Executive Officer

Mark Powell, P.Geol.
Vice President - Exploration

Jihad Shibley, P.Eng.
Vice President - Engineering

Robert V. Heathcott, P.Land.
President of Heather Oil Ltd.

Michael Lang, BSc, MBA
Treasurer and Chief Financial Officer,
Beau Canada Exploration Ltd.

E. Mitchell Shier, LL B, LL M
Ballem MacInnes
Barristers and Solicitors

Officers

Michael O'Hara
President & Chief Executive Officer

Mark Powell
Vice President - Exploration

Jihad Shibley
Vice President - Engineering

Bankers

The Bank of Nova Scotia
Main Branch
Calgary, Alberta

Solicitors

Ballem MacInnes
Calgary, Alberta

Auditors

Deloitte & Touche
700 - 2nd Street S.W.
Calgary, Alberta T2P 0S7

Registrar and Transfer Agent

Montreal Trust
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530 - 8th Avenue S.W.
Calgary, Alberta T2P 3S8

Stock Listing

The Alberta Stock Exchange
Symbol "CLX"

Office

Suite 400 Canada Place
407 - 2nd Street S.W.
Calgary, Alberta T2P 2Y3

Phone: (403) 237-8688
Fax: (403) 237-6939

Abbreviations

Bbl	Barrel
Mbbls	Thousand barrels
Mcf	Thousand cubic feet
Mmcf	Million cubic feet
Boe	Barrels of oil equivalent (gas @ 10 mcf:1)
Bpd	Barrels per day
Mcfd	Thousands of cubic feet per day
Boepd	Barrels of oil equivalent per day
Ngl	Natural gas liquids

Designed and produced by:
The Merlin Creative Group Inc.

Printed in Canada

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Suite 400
407 - Second Street S.W.
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